MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM ID 2210)

DFA5034 – FINANCIAL ACCOUNTING 3

(All Sections / Groups)

07 FEBRUARY 2023
09.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 6 pages with 4 questions.
2. Write your answers in the answer booklet provided.
3. Answer ALL questions.

QUESTION 1

Part A

Smart Mart uses the perpetual inventory system. The opening inventory consisted of 200 units at RM200 each. The following sales and purchases of the same product were made during the month of January 2023.

Date	Transactions	Unit	Unit costs (RM)
January 7	Purchases	300	220
16	Purchases	400	240
21	Sales	650	
29	Purchases	500	260

Required

(a) Prepare a table format to show the calculation of cost of goods sold and the cost of ending inventory for the month of January 2023, by using FIFO method. (8.5 marks)

(b) Prepare a table format to show the calculation of cost of goods sold and the cost of ending inventory for the month of January 2023, by using Average-Cost method. (5.5 marks)

Part B

Finn Company applied FIFO to its inventory and has the following results for its ending inventory.

DVRs	240 units at a cost per unit of RM69
DVD players	310 units at a cost per unit of RM85
iPods	275 units at a cost per unit of RM90

The market value per unit at year-end was DVRs RM81, DVD players RM78, and iPods RM88.

Required

Calculate the amount of ending inventory at lower-of-cost-or-market. (6 marks)

Part C

(a) Classify the type of inventory as a merchandiser and manufacturer. (3 marks)

(b) List the **TWO (2)** steps to determine inventory quantities. (2 marks)

(Total: 25 marks)

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QUESTION 2

Part A

Given below are the securities owned by Benteng Company, held as long-term investment on 31 December 2021.

Common Shares	Number of Shares	Cost (RM)
Daisy Company	4,000	100,000
Ernst Company	12,000	72,000
Fix Company	2,400	48,000

On this date, the total fair value of the securities was equal to its cost. The securities are not held for influence or control over the investees. In 2022, the following transactions occurred.

July 1	Received RM1 per share a semi-annual cash dividend on Ernst Company's common shares.
Aug 1	Received RM0.50 per share cash dividend on Daisy Company's common shares.
Sept 1	Sold 4,000 shares of Ernst Company's common shares for cash at RM7 per share, less brokerage fees of RM600.
Oct 1	Sold 1,200 shares of Daisy Company's common shares for cash at RM28 per share, less brokerage fees of RM1,200.
Nov 1	Received RM1 per share cash dividend on Fix Company's common shares.
Dec 15	Received RM0.50 per share cash dividend on Daisy Company's common shares.
Dec 31	Received RM1 per share semi-annual cash dividend on Ernst Company's common shares.

At 31 December 2022, the fair values per share of common shares were: Daisy Company RM24, Ernst Company RM7 and Fix Company RM19.

Required

(a) Journalise the transactions for year 2022. (8 marks)

(b) Prepare the ledger for Shares Investment account. *(Use T-Account)* (3 marks)

(c) Prepare the adjusting entry at 31 December 2022 to show the securities at fair value. The shares should be classified as available-for-sale securities. *(Show all your workings.)* (9 marks)

(d) Show the presentation of the investments in Statement of Financial Position as at 31 December 2022. At this date, Benteng Company has common shares of RM4,500,000 and retained earnings of RM2,900,000. (3 marks)

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Part B

State the **TWO (2)** reasons corporations invest in debt and share securities. (2 marks)

(Total: 25 marks)

QUESTION 3

Part A

The comparative condensed Statement of Financial Position of Amber Company are presented below.

Amber Company
Comparative Condensed Statement of Financial Position
As at December 31

	2022	2021
Assets		
Current assets	RM 72,000	RM 80,000
Property, plant, and equipment (net)	95,400	90,000
Intangibles	33,600	40,000
Total assets	RM201,000	RM210,000
Liabilities and stockholders' equity		
Current liabilities	RM 40,320	RM 48,000
Long-term liabilities	142,500	150,000
Stockholders' equity	18,180	12,000
Total liabilities and stockholders' equity	RM201,000	RM210,000

Required

(a) Prepare a horizontal analysis of the Statement of Financial Position data for Amber Company using year 2021 as a base. (8 marks)

(b) Prepare a vertical analysis of the Statement of Financial Position data for Amber Company in columnar form for the year 2022. (4 marks)

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Part B

Megah Corporation had the following comparative current assets and current liabilities:

	Dec. 31, 2022	Dec. 31, 2021
Current assets		
Cash	RM 70,000	RM 40,000
Short-term investments	50,000	20,000
Accounts receivable (net)	65,000	105,000
Inventory	120,000	100,000
Prepaid expenses	45,000	30,000
Total current assets	RM350,000	RM295,000
Current liabilities		
Accounts payable	RM150,000	RM120,000
Salaries payable	50,000	40,000
Income tax payable	30,000	25,000
Total current liabilities	RM230,000	RM185,000

During year 2022, net credit sales and cost of goods sold were RM760,000 and RM410,000, respectively.

Required

Compute the following liquidity measures for 2022: *(Show all your workings)*

(a) Current ratio. (1.5 marks)
(b) Acid-test ratio. (2.5 marks)
(c) Account receivables turnover. (3 marks)
(d) Inventory turnover. (3 marks)

Part C

Explain the **THREE (3)** comparison bases for comparative analysis. (3 marks)

(Total: 25 marks)

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QUESTION 4

Part A

As at 31 December 2022 Sima Partnership reported the following account balances: cash RM120,000, noncash assets RM360,000, liabilities RM249,000, and the following capital balances: Siti RM161,700 and Maryam RM69,300. The firm is liquidated, and RM476,000 in cash is received for the noncash assets. Siti and Maryam income ratios are 70% and 30%, respectively.

Required

Prepare the entries to record:
(a) The sale of noncash assets. (1.5 marks)
(b) The allocation of the gain or loss on liquidation to the partners. (2.5 marks)
(c) Payment of creditors. (1 mark)
(d) Distribution of cash to the partners. (3 marks)

Part B

State the **FIVE (5)** characteristics of the partnership form of business organization. (2.5 marks)

Part C

Six Star Cleaning provides office cleaning services for Melaka and Johor areas. The company also sells cleaning merchandise to its customers. On 1 January 2022, the ledger of Six Star Cleaning contains the following liabilities accounts:

Accounts	RM
Account payable	236,000
Sales and service tax payable	39,000
Unearned service revenue	46,600

Six Star Cleaning prepares their financial statements every six months. During 2022, the following selected transactions occurred.

Feb 1 Borrowed RM56,000 from BNMI Bank by signing a 10-month, 3%, note.
Mar 15 Sold merchandise on account totalling RM63,600 which includes 6% sales tax.
Apr 13 Provided services for customer who had made advance payments of RM26,600.
May 15 Paid Royal Malaysian Customs Department for sales and service taxes collected in last year, RM31,000.
June 30 Accrued the interest on BNMI Bank note.
July 20 Sold 2,300 units of a new cleaning merchandise on credit at RM80 per unit plus 6% sales tax.

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Nov 15	Received RM35,000 in advance from its client for cleaning services that will be provided next year.
Dec 1	Paid the principal and interest on BNMI Bank's note.
Dec 15	Made payment to creditor by paying a half of the account payable amount.
Dec 31	Accrued the employee's salary for the month amounted to RM74,900.

Required

Journalise the transactions for the year 2022. (14.5 marks)

(Total: 25 marks)

End of Paper